



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

March 19, 2012

MEMORANDUM FOR ROBIN GRAF
REGIONAL COMMISSIONER, PBS
NORTHWEST/ARCTIC REGION (10P)

FROM ADAM R. GOOCH *Adam Gooch*
REGIONAL INSPECTOR GENERAL FOR AUDITING
GREAT LAKES REGION (JA-5)

SUBJECT Administration of Contracts for Construction Services in Support of the American Recovery and Reinvestment Act of 2009¹ at the William O. Douglas Federal Building and Courthouse in Yakima, WA, and the David J. Wheeler Federal Building in Baker City, OR
Audit Memorandum Number A090184-59

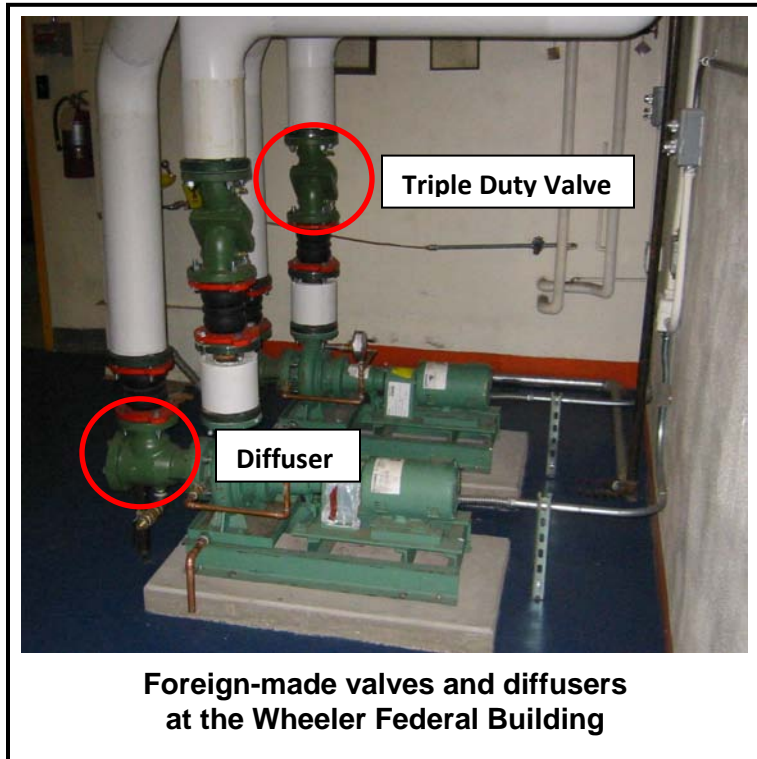
During our review of the administration of the subject contracts, we determined that the contractor incorporated foreign-made construction materials into the project instead of using materials manufactured in the United States.

The Public Buildings Service (PBS) awarded two task orders against indefinite delivery indefinite quantity contract number GS-10P-08-LT-D-0091 to C-2 Construction Inc. (C-2 Construction) for energy efficiency upgrades and other building improvements. One task order, dated July 9, 2010, valued at around \$492,000, was for chiller replacement and elevator upgrades at the William O. Douglas Federal Building and Courthouse in Yakima, WA (Yakima Courthouse). The second task order, dated March 29, 2010, valued at about \$691,000, was for boiler replacement and air handler improvements at the David J. Wheeler Federal Building in Baker City, OR (Baker City Federal Building). Work at both buildings was substantially complete when we conducted our review during October 2011.

¹ The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides the General Services Administration (GSA) with \$5.5 billion for the Federal Buildings Fund. In accordance with the Recovery Act, the GSA Public Buildings Service (PBS) is using the funds to convert federal buildings into High-Performance Green Buildings as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandates that \$5 billion of the funds must be obligated by September 30, 2011. The GSA Office of Inspector General is conducting oversight of the projects funded by the Recovery Act. One objective of this oversight is to determine if PBS is awarding and administering contracts for limited scope and small construction and modernization projects in accordance with prescribed criteria and Recovery Act mandates.

We inspected the mechanical and electrical equipment installed by C-2 Construction at both buildings to test compliance with Section 1605 (Buy American) of the Recovery Act. We noted several instances of foreign-manufactured construction material that violated the Recovery Act Buy American requirements. We estimated that the value of the foreign-manufactured construction material was less than \$5,000. By allowing foreign-made construction material to be incorporated into the Recovery Act project, PBS did not ensure that the Recovery Act goal of providing jobs for American companies was fully met.

At the Yakima Courthouse, the suction diffusers and triple-duty valves were assembled in China using components from the U.S., Brazil, and China. The equipment was supplied by a company named TACO, Inc. C-2 Construction also installed TACO diffusers and valves at the Baker City Federal Building. This equipment was also assembled in China using components from various countries. A total of four diffusers and four triple duty valves of foreign manufacture were installed in the buildings. We also found C-2 Construction had installed Brazilian-manufactured pressure gauges at the Baker City Federal Building.



Federal Acquisition Regulation clause 52.225-21, incorporated into C-2 Construction’s contract, defines construction material as an article, material, or supply brought to the construction site by the contractor or subcontractor for incorporation into the building or work. The clause implements section 1605 of the Recovery Act by requiring that all manufactured construction material be produced in the United States, unless an exception applies. The contracting officer listed no exceptions.

PBS responded to the draft memorandum on March 13, 2012 and agreed that the items noted above were not in compliance with section 1605 of the Recovery Act. PBS is “seeking remedy by obtaining credit for cost of materials and associated labor. This will leave the non-compliant material in place without disruption to building operations or tenant comfort.”

If you have any questions about this memorandum, please contact me at (312) 353-0500 or Hilda Garcia, Audit Manager, at (312) 353-6695.

Report Distribution

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